

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 SS-15 NSC-05 EB-08 MMO-01 SP-02

CIAE-00 INR-07 NSAE-00 OMB-01 TRSE-00 AID-05 FRB-03

USIA-06 XMB-02 OPIC-03 CIEP-01 LAB-04 SIL-01 PA-01

PRS-01 AGRE-00 FEA-01 OES-06 INT-05 ERDA-05 /106 W

-----211336 122653 /53

R 190813Z FEB 77

FM USINT BAGHDAD

TO SECSTATE WASHDC 4197

INFO USDOC WASHDC

AMEMBASSY ATHENS

AMEMBASSY AMMAN

AMEMBASSY BONN

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY TEHRAN

AMEMBASSY TEL AVIV

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C O R R E C T E D C O P Y (LIMDIS CAPTION DELETED)

E.O. 11652: N/A

TAGS: BEXP, ECRP, EFIN, IZ

SUBJECT: IRAQ: 1976-80 FIVE-YEAR PLAN AND THE 1977

INVESTMENT PROGRAM

REF: 76 BAGHDAD 1658

1. SUMMARY: THE ANNOUNCEMENT OF IRAQI 1976-80
FIVE-YEAR PLAN, EXPECTED IN EARLY 1977, HAS BEEN
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POSTPONED AT LEAST UNTIL APRIL. FINANCE MINISTRY
OFFICIAL HAS SUGGESTED THE PLAN, WHEN ANNOUNCED, WILL
TOTAL ABOUT 49 BILLION DOLLARS. THE 1976 AND 1977
INVESTMENT PROGRAMS ALREADY ALLOCATE FUNDS TOTALING
13 BILLION DOLLARS. WE BELIEVE 1977 PROGRAM ESTIMATED
AT 8 BILLION DOLLARS MAY BE REVISED IN VIEW OF
PROBABLE DECLINE IN ANTICIPATED IRAQI OIL

REVENUES. END SUMMARY.

2. THE FIVE-YEAR PLAN: DOES IT EXIST? DESPITE
NUMEROUS REPORTS THAT 1976-80 FIVE-YEAR PLAN WOULD
BE ANNOUNCED IN EARLY 1977, A RANKING MINISTRY OF
PLANNING OFFICIAL RECENTLY TOLD A VISITING U.S.
BUSINESSMAN THAT PLAN ANNOUNCEMENT WOULD BE DELAYED
AT LEAST UNTIL APRIL AND POSSIBLY UNTIL JUNE.
REASON HE GAVE WAS THAT GOI WANTS TO AWAIT COMPILA-
TION OF RESULTS FROM RECENTLY-COMPLETED SURVEY OF
SMALL BUSINESSES IN THE PRIVATE SECTOR. OTHER
SOURCES HAVE SUGGESTED THAT PLAN MIGHT EVEN BE
DELAYED UNTIL THE BEGINNING OF 1978 OR LATER TO
ALLOW INCORPORATION OF CENSUS DATA TO BE COLLECTED
LAST QUARTER OF 1977.

3. WE, NONETHELESS, ALREADY KNOW IMPORTANT ELEMENTS
OF THE PLAN. DEPUTY MINISTER OF FINANCE
RECENTLY WAS QUOTED IN NEWSPAPERS AS SAYING PLAN
WOULD INCLUDE PROJECTS WORTH APPROXIMATELY 15 BILLION
IRAQI DINARS (49 BILLION DOLLARS), AND SEVERAL GOI
OFFICIALS HAVE TOLD VISITORS THAT PLAN WILL NOT
REPEAT NOT INCLUDE LIST OF SPECIFIC PROJECTS.

4. IN TERMS OF TIME, 1976 AND 1977 INVESTMENT
PROGRAMS ALREADY COMMIT TWO-FIFTHS OF THE PLAN.
THE 1976 INVESTMENT PROGRAM ALLOCATED 5 BILLION
DOLLARS TO DEVELOPMENT, ALTHOUGH ACTUAL EXPENDITURE
FIGURES WHICH ARE EXPECTED TO BE PUBLISHED IN A
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FEW WEEKS ARE LIKELY TO TOTAL SUBSTANTIALLY LESS.
IN ADDITION, THE 1977 BUDGE, ANNOUNCED IN LATE
DECEMBER BUT ONLY NOW AVAILABLE IN ENGLISH, INCLUDES
INVESTMENT PROGRAM OF 8 BILLION DOLLARS FOR 1977,
BRING TOTAL DEVELOPMENT PLAN ALLOCATIONS FOR
1976-80 PERIOD TO 13 BILLION DOLLARS.

5. COMMENT: FIVE-YEAR PLAN, WHEN IT APPEARS, MAY
NOT TURN OUT TO BE DOCUMENT FROM WHICH BUSINESSMEN
CAN EASILY DERIVE CONCRETE PROSPECTIVE BUSINESS
OPPORTUNITIES. ONE SOURCE INDICATES THAT
DOCUMENT MAY HAVE STRONG IDEOLOGICAL EMPHASIS,
FOCUSING ON THE ROLE OF ARAB SOCIALISM IN THE
DEVELOPMENT OF THE IRAQI ECONOMY. END COMMENT.

6. 1977 INVESTMENT PROGRAM. THE ALLOCATION OF
2.4 BILLION IRAQI DINARS (U.S. DOLLARS 8.014
BILLION) TO DEVELOPMENT PROJECTS REPRESENTS
57.8 PERCENT INCREASE OVER 1976 INVESTMENT

PROGRAM TOTAL. COMPARISON OF ALLOCATIONS BETWEEN
1976 AND 1977 FOR PRINCIPAL SECTORS ARE GIVEN
BELOW:

	1976	1977	PERCENT
	(US MIL)	(US MIL)	INCREASE
AGRICULTURE	911	1,326	45.4
INDUSTRY	2,411	3,284	36.2
TRANSPORTATION AND			
COMMUNICATIONS	825	1,195	45.0
BUILDINGS AND			
SERVICES	725	980	35.2
OTHER	206	1,229	448.0
TOTAL	5,078	8,014	57.8

7. UNLIKE LAST YEAR, THE MINISTRY OF PLANNING HAS
NOT PUBLISHED A LIST OF PROJECTS WHICH THE INVEST-
MENT PROGRAM INCLUDES. OFFICIALS OF OTHER
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MINISTRIES ARE ALSO UNWILLING TO PROVIDE COMPOSITE
LISTS OF PROJECTS IN THEIR RESPECTIVE AREAS BUT

NOTE BY OCT: NSAE,AID,CIEP,FRB,LAB,OPIC,SIL,XMB,AGRE,PA,PRS,FEAE,
OES,INT,AND ERDA TAKE MSG AS ORIGINAL.

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C O R R E C T E D C O P Y (LIMDIS CAPTION DELETED)

ON OCCASION WILL CONFIRM WHETHER OR NOT THE INVESTMENT PROGRAM INCLUDES FUNDS FOR A SPECIFIC PROJECT. NEWSPAPERS ARE CARRYING TENDER ANNOUNCEMENTS REFERENCING THE "1977 NATIONAL DEVELOPMENT PLAN"; MOST SO FAR HAVE BEEN FOR MUNICIPAL WATER AND SEWERAGE SYSTEMS. (SEE BAGHDAD 0318).

8. COMMENT: THE DOHA OPEC MINISTERIAL MEETING IN MID-DECEMBER MAY HAVE DATED THE 1977 INVEST-
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MENT PLAN EVEN BEFORE IT WAS ANNOUNCED AT THE END OF THE YEAR BECAUSE OF THE GOI'S APPARENT OVER-ESTIMATION OF OIL REVENUES DURING 1977. ANTICIPATED OIL REVENUES TO SUPPORT THE INVESTMENT PLAN ARE ESTIMATED AT ID 2.2 BILLION, (APPROXIMATELY 7.48 BILLION DOLLARS), AN AMOUNT ROUGHLY EQUAL TO IRAQ'S TOTAL 1976 OIL REVENUES. IN ADDITION, TO SUPPORT THE "ORDINARY BUDGET", THE GOI ANTICIPATES ANOTHER ID 1.37 BILLION (4.6 BILLION DOLLARS) FROM "PROFITS OF GENERAL ECONOMIC ESTABLISHMENTS", ALMOST ALL OF WHICH WOULD BE PROFITS FROM THE SALE OF OIL BY THE IRAQ NATIONAL OIL COMPANY. THUS, THE TOTAL GOI BUDGET FOR 1977 APPEARS TO ANTICIPATE OIL REVENUES OF APPROXIMATELY 12 BILLION DOLLARS. ALTHOUGH THIS FIGURE MAY HAVE SEEMED AT LEAST PLAUSIBLE PRIOR TO THE DOHA OPEC MINISTERIAL MEETING, THE AMOUNT NOW APPEARS TO BE A GROSS OVER-ESTIMATION.

9. GIVEN TRADITIONAL IRAQI FINANCIAL ORTHODOXY, WE BELIEVE THE GOI IS LIKELY TO TRIM EXPEDITURES TO CONFORM WITH INCOME AND, AS IN 1975 WHEN OIL REVENUES FELL BELOW ANTICIPATED LEVELS, GOI MAY WELL AGAIN CURTAIL THE INVESTMENT PROGRAM. ALTHOUGH GOI COULD ALSO DRAW ON IRAQ'S SUBSTANTIAL RESERVES

(APPROXIMATELY 3.7 BILLION DOLLARS) TO MAKE UP
PART OF THE SHORTFALL, IRAQI AUTHORITIES WERE
RELUCTANT TO DO SO IN SIMILAR CIRCUMSTANCES
IN 1976.

10. THE 1977 INVESTMENT PROGRAM ROUGHLY REFLECTS
THE PRIORITIES OF HOUSING, EDUCATION, AGRICUL-
TURAL DEVELOPMENT AND TRANSPORTATION AND COMMUNICA-
TION WHICH RCC VICE CHAIRMAN SADDAM HUSSEIN GAVE
LAST OCTOBER AS GUIDANCE TO THE MINISTRY OF
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PLANNING IN PREPARING THE 1976-80 FIVE-YEAR
DEVELOPMENT PLAN. INDUSTRY, HOWEVER, STILL ACCOUNTS
FOR THE LARGEST AMOUNT BY FAR (47.5 PERCENT IN 1976,
40.9 PERCENT IN 1977) OF THE INVESTMENT ALLOCATIONS,
ALTHOUGH THIS SECTOR INCREASED ONLY BY 36.2 PERCENT
COMPARED TO 45 PERCENT FOR AGRICULTURAL AND
TRANSPORTATION AND COMMUNICATION SECTOR. THE 1977
BUDGET DOCUMENT DOES NOT PROVIDE ENOUGH DETAIL TO
ALLOW THE HOUSING AND EDUCATION SECTORS TO BE
EASILY SEPARATED OUT FOR COMPARISON WITH 1976
ALLOCATIONS AND WITH THE OTHER SECTORS. HOWEVER,
THE CATEGORY "OTHER" GIVEN IN PARA 6 DOES INCLUDE
272 MILLION DOLLARS FOR "EDUCATION AND SCIENTIFIC
RESEARCH." HOUSING, WE UNDERSTAND, MAY BE PRI-
MARILY FINANCED THROUGH THE INDUSTRIAL BANK,
THUS NOT APPEARING IN THE INVESTMENT BUDGET.

11. ENGLISH TRANSLATION OF 1977 BUDGET, WHICH
INCLUDES THE INVESTMENT PROGRAM, IS BEING
FORWARDED BY AIRGRAM.
DECONTROL UPON RECEIPT.
WILEY

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NOTE BY OC/T: NSAE, CIEP, AID,FRB,LAB, OPIC, SIL, XMB,AGRE,PA,
PRS,FEA,OES INT,ERDA TAKE MESSAGE AS ORIGINAL.

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